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Economic Conditions
Governmental Finance
United States Securities

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General Business Conditions

THE outstanding single event in business during the past month has been the settlement of the anthracite coal strike. Following 170 days of idleness, the longest period in the industry, operations have been resumed under a compromise agreement which it seems a pity could not have been arrived at in the beginning. Under this contract, which runs until August 31, 1930, the miners have renounced their claims to a wage increase and have agreed to a plan of possible wage modification once a year after January 1, 1927, which seems tantamount to arbitration. In return for these concessions, the miners apparently have gained the check-off, or something equivalent to it. For neither side can it be said that a victory has been scored. For all parties, the miners, operators, and the public, the net result has been losses, hardship, inconvenience, and suffering. With the progress made in the use of substitute fuels, the anthracite industry faces the grave danger that much of its business has been permanently lost. Nothing in short could demonstrate more clearly the futility of the resort to force in settling industrial differences.

While the coal strike has not seriously menaced business outside of the coal regions, nevertheless its settlement should exert a favorable influence everywhere. In general, Spring business gives evidence of developing satisfactorily, despite complaints in some quarters that trade has not been up to expectations. It will be recalled that similar complaints were heard a year ago at this time which did not prevent the year from making an extremely good showing on the whole both as to volume of business and profits. When it is considered that trade for some months has been running at very high levels it is not to be wondered at that some moderate let-up should occur. Indeed, a continuation of increased buying and production might rather have been viewed with concern as leading to over stocking and the necessity for forced liquidation.

Iron and Steel and Textiles

In the steel industry, production and shipments, which were unusually heavy in January, outran new orders, so that unfilled bookings at the end of the month showed a decline for the first time since the fore part of last year. With the large consuming industries continuing active, however, this seems little likelihood of more than a temporary slump. In the pig iron market a dominating factor has been the price of coke, which up to the time of the strike settlement held iron firm in the face of lower steel prices and contributed to a decline in blast furnace activity. Following the settlement of the strike and sharp drop in coke, iron prices also have weakened.

Mill consumption of cotton in January amounting to 583,192 bales excluding linters was larger than in December, but not up to the level of January a year ago. In the goods market some disappointment is felt at the failure of forward buying to open up in larger volume, but uncertainty in regard to the coming raw cotton crop and the substantial discounts on late months in the futures market have naturally induced conservatism. With a considerable volume of prompt business moving and stocks apparently in good condition, the trade continues to look for improvement.

During February the American Woolen Company opened its fall lines of men's wear at prices showing substantial reductions, and the other mills have generally fallen in line. While no great amount of buying has been stimulated thus far, the general disposition in this as in many other lines is to hold off as long as possible, and there is no reason for believing that a good volume of business may not eventually be placed. In silks also, which have been unusually active, there has recently been some talk of a slight slackening.

Building and Automobiles

Building construction, on the other hand, which has been so large a factor in the business volume of the past few years, continues to be projected in extraordinarily high volume. According to the F. W. Dodge Corporation, contracts awarded in 37 states during January amounted to $457,158,600, which although 14 per cent less than in December, were nearly 50 per cent more than in January of last year.

In addition to projects already contracted for, additional new work contemplated was estimated at $851,590,300, only 6 per cent under the record amount reported in December, and 26 per cent over the total reported in January 1925. While it is agreed that construction work cannot continue indefinitely at the present pace, the work already placed or in prospect seems sufficient to insure activity for some time to come. Accompanying activity in building, production in kindred industries, such as lumber and cement, remains at high levels.

The automobile industry continues to view the future optimistically, and thus far at least retail sales apparently have justified the heavy production schedules put in force by many of the companies. Accompanying the reaction in rubber from recent high levels, tire prices have been cut 3½ to 12½ per cent, which will assist the automobile companies maintain satisfactory profits and prices.

Business Generally at High Levels

Taking trade and industry as a whole it is evident that the volume measures up to unusual proportions. Bank debits outside of New York City, which are perhaps the best single measure of the country's trade, are running larger than ever before at this season, railway shipments of factory products are likewise above all previous records, and factory employment is at a high level. Despite the large total of business, and the considerable speculation that has taken place in securities and in real estate in some sections, the speculative spirit in commodities continues conspicuous by its absence. Commodity prices, on the whole, have shown a moderate downward tendency. Speculation feeds on fears of shortage, and at present there is little apprehension of shortage in most lines. Industrial capacity appears equal to, if not in excess of, any demands likely to be laid upon it, the railroads are equipped for prompt deliveries, and labor supplies, thanks to the great increase in per capita output, have in general been ample for all needs.

So far as the immediate future is concerned no new factors have come to light that would necessitate the revision of any reasonable hopes regarding the year's business. The stock market, it is true, has been subjected to heavy liquidation, and some of the extreme phases of the Florida real estate boom appear to be passing, but these are not wholly unexpected developments. The prosperity which the country is now enjoying is based upon solid foundations. Agricultural buying power, while still at a disadvantage as compared with other sections, has greatly improved, and the purchasing power of labor wages was never higher. This is daily finding reflection in the records being made by mail order sales and the trade of chain stores and department stores throughout the country. Business efficiency continues at high levels, resulting in rapid turnover and economy in the use of credit. Excellent profits have been generally conserved to strengthen cash position and inventories have been kept moderate. Finally, the credit situation is easy so far as regular business is concerned, and while somewhat firmer tendencies may develop during the year if business expands, no stringency or scarcity of money need be expected.

The Business Outlook

With the different branches of industry thus in better adjustment than they have been for years, the outlook justifies restrained optimism. The danger of course lies in over-confidence leading to over-production and disturbance of the normal balance in industry. In view of the exceptionally heavy output of 1925, conservative business men will not be taken by surprise if the volume of business this year fails to constantly overtop all previous records or should even fall somewhat short of its recent level. In some localities, at least, there are indications that building operations and speculation in real estate have been overdone, and it is not impossible in certain other industries where unusual optimism now prevails production may be pushed too hard. Should this prove to be the case some slowing may occur during the latter part of the year, but there seems to be little likelihood of anything in the way of a serious reaction.

Money and Banking

Movements in the money market during February were in accordance with the usual seasonal tendencies at this time of the year. With the passing of the January slack period and growth of Spring trade, money has come into greater demand and there has been increased borrowing from the Reserve Banks. By reason of the fact that New York acts as custodian of a large part of the surplus funds of the country these increased demands have been felt particularly at this center. Funds allowed to accumulate here on deposit have been recalled to the interior in substantial volume, and New York banks have been forced to borrow considerable sums at the Reserve Bank to maintain reserves. From the low point of the post-holiday liquidation, reached on January 27 to February 24, rediscounts of the New York Reserve Bank have increased nearly $100,000,000, or somewhat more than the increase shown for all Federal Reserve Banks during the same period.

Call money rates which had touched 3 per cent at the January low levels rose to around 4¾ to 5 per cent, and time money was likewise slightly firmer. There was no appreciable change, however, in the commercial paper

rate, this remaining around 4¼ to 4½ per cent. With the major credit requirements of the Spring trade just ahead it seems probable that further moderate firmness is to be expected. While it is true that commercial credit requirements are low when compared with the volume of business being done, nevertheless, as has been pointed out before, banks have their funds fully employed, and barring a continuation of gold imports, additional credit in any important amount can be obtained only through an expansion of Federal Reserve loans. Not only are banks naturally more reluctant to increase their borrowings in view of the higher discount rates recently established, but it is doubtful whether the Reserve authorities would look with favor upon additional membei bank borrowing at a time when the volume of funds employed in securities is so large. The general tendency of money rates has been forward since the Summer of 1924, and with business still in large volume the time does not yet appear to be at hand for an alteration of this trend.

Stock Exchange Loans

An interesting development of the past month has been the publication of the first of a series of reports to be issued monthly hereafter by the New York Stock Exchange giving figures on the total borrowings of its members, and the inauguration of weekly reports by the Federal Reserve Board giving the volume of loans by 61 New York City member banks to dealers and brokers. Thus, for the first time, authentic information on so-called "street loans" becomes regularly available. There has always been an air of mystery about these figures, and their publication will add greatly to the fund of information on which credit and financial tendencies may be judged.

According to the report of the Stock Exchange the total of brokers' loans as of January 30 was $3,513,174,154, divided as follows:

Demand Loans:	
Net borrowings on collateral from New York banks or trust companies	$2,122,914,934
Net borrowings on collateral from private bankers, brokers, foreign bank agencies or others in the City of New York	394,045,665
Total	$2,516,960,599
Time Loans:	
Net borrowings on collateral from New York banks or trust companies	$920,129,375
Net borrowings on collateral from private bankers, brokers, foreign bank agencies or others in the City of New York	76,084,180
Total	$996,213,555
Combined total of time and demand loans	$3,513,174,154

On the nearest comparable date, January 27, the statement of the Federal Reserve Board for the 61 New York City lending banks was as follows:

Demand Loans:	
For own account	$705,906,000
For out-of-town correspondents	887,238,000
For others	541,879,000
Total	$2,135,023,000
Time Loans:	
For own account	$495,008,000
For out-of-town correspondents	400,129,000
For others	68,032,000
Total	$963,169,000
Combined total of time and demand loans	$3,098,192,000

Between January 27 and February 17 there was a further increase in the figures of the reporting banks to $3,138,724,000, due to increases for out-of-town account, loans of New York banks for their own account showing a decrease.

While the foregoing tabulations differ somewhat in their makeup and the totals do not check entirely, the essential features are the same. The principal reason for the larger Stock Exchange figures is the inclusion of approximately half a billion dollars of loans by private banks, brokers, foreign bank agencies, and others which, not being member banks, are not covered in the Federal Reserve statement. Both reports indicate demand loans to be nearly three-quarters of the total, and the Federal Reserve statement, which classifies the loans according as to whether they are advanced by New York City banks out of their own funds or placed for correspondents, shows approximately 39 per cent of local money, 41 per cent advanced for correspondent banks, and 20 per cent for account of others. These percentages, of course, may be expected to vary considerably from time to time, depending on financial conditions throughout the country. For the present, it may be said that they confirm the impression of the important part played by out-of-town funds in the present market.

Wall Street was taken somewhat by surprise by the figures as published, for current estimates of the total were generally considerably lower. It has been stated frequently in the current discussion that we have no comparative basis for judging these figures. Fortunately this is not the case as we have very similar figures covering 1919, 1920, and 1921 presented by Governor Strong of the New York Reserve Bank before the Joint Congressional Commission of Agricultural Inquiry in the Summer of 1921. According to these figures, street loans of the reporting banks at the peak of the 1919 bull market amounted to about $1,500,000,000 which means that since

then the figures have about doubled. Without doubt this is a very large increase.

The Growth of Capital Issues a Factor

It would be a mistake, of course, to attribute this increase wholly to speculative expansion, as there are other factors to be considered. Besides loans covering margin accounts of traders the figures include loans made by stock exchange houses to individuals purchasing securities on the partial payment plan. Furthermore, there has been since 1919 a very large increase in the volume of securities of all kinds outstanding and listed on the exchanges, and this would naturally be accompanied by a substantial increase in the amount of funds employed in these markets. According to the tabulations of the Commercial and Financial Chronicle new issues during the six years 1919-1925 total up to more than $27,600,000,000. Not only has there been the normal growth of the country's corporate enterprises, but certain other factors have tended to accelerate the outflow of new securities. Many corporations have found it desirable to readjust their capital structure on the basis of the generally higher prices prevailing since the war. There has been an increased tendency during recent years for many partnerships to convert into corporate forms and offer their securities to the public. And thirdly the practice has been growing for many corporations to obtain their working capital through the sale of securities rather than through recourse to bank loans and advances. To the extent that credit is employed to float such issues and carry them pending their final absorption it may as truly be considered employed for commercial purposes as though the funds were advanced directly to the manufacturer or distributor whose securities collateral the loans.

How large a factor the increased volume of securities issued and listed has been in the higher total of brokers' loans we cannot determine precisely from the data available. Certainly it has been important. As time goes on and the loan figures are available over a longer period doubtless some sort of a relationship will be worked out, at least approximately.

The Market and the Money Supply

The qualifying factors just referred to of course do not obviate the fact that speculation in securities has been very active. In periods of marked ease of money such as we have recently had, funds not in demand for commercial purposes flow into the security markets for temporary employment and prices are likely to be bid up to levels which may not be sustained once the commercial demand reasserts itself. Fluctuations in the flow of funds into and out of the security markets are inevitable, but they are self-correcting. The market is a vital cog in our financial and commercial machinery, and the funds to support orderly trading are a legitimate charge on the credit fund of the country. That, on the whole, it functions economically and efficiently is indicated in the fact that the $3,500,000,000 of loans amount to less than 6 per cent of the total market value of securities listed.

Foreign Discount Rates

The tendency of money rates in foreign countries during the past year is indicated by the following table comparing the latest available figures on discount rates of foreign central banks with corresponding figures a year ago:

DISCOUNT RATES OF CENTRAL BANKS

	Rate as of Feb. 1925	Rate as of Feb. 1926
Austria	13	8
Belgium	5½	7
Czechoslovakia	6	6
Denmark	7	5½
England	4	5
Finland	9	7½
France	7	6
Germany	10	8
Greece	7½	10
Hungary	12½	7
India	7	6
Italy	5½	7
Japan	8.03	7.3
Netherlands	4	3½
Norway	6½	6
Poland	10	12
Portugal	9	9
Rumania	6	6
Russia	8	8
South Africa	5½	5½
Spain	5	5
Sweden	5½	4½
Switzerland	4	3½
Yugoslavia	6	6

Of the twenty-four countries listed in the table, discount rates in 12 show decreases compared with last year, in 5 show increases, and in 7 were unchanged. It is thus apparent that progress is being made towards more normal levels, but this progress is slow, and the general level of rates remains abnormally high. Supplies of liquid capital are still distributed very unequally, and much of the world is suffering from scarcity, while other countries have more perhaps than is good for them. This situation, however, is being gradually rectified through the normal working out of the law of supply and demand. Other things being equal, capital tends to flow to the markets where it will bring the greatest return, as is amply demonstrated by the heavy investment of American capital in high yielding foreign securities and enterprises during the past few years. The greater assurance of security of principal provided by exchange stabilization, the Dawes plan, and the results of the Locarno Conference should further facilitate this free flow of capital between markets and tend towards a more normal adjustment of interest rates.

In England, Italy and Belgium the higher rates established during the past year have accompanied the initial steps in gold resumption or exchange stabilization programs. In Poland an advance in the bank rate to 12 per cent, accompanying serious economic difficulties there, brought the rate to the highest of any of the countries listed, but even this level appears moderate when compared with the rate of 48 per cent ruling two years ago. In the case of France, a rate of 6 per cent is slightly lower than in 1925, but above the level of 5 per cent prevailing early in 1924. In general, the record of these twenty-four countries affords a striking demonstration of the fact that those countries which stuck closest to the gold standard have enjoyed the easiest credit conditions while those which threw off its restraining influence have experienced the tightest pinch.

The Bond Market

In the face of the liquidation in the stock market and of slight hardening in money rates during the latter part of the month, the bond market during February maintained its upward course and the higher grade issues in practically all groups were in active demand. There was a sympathetic reaction to the stock market decline on the part of some of the speculative and semi-speculative issues but the market as a whole was at the highest level in years. There is an apparent scarcity of new issues of all kinds. The readiness with which new high grade offerings are being absorbed seems to indicate that the market is capable of digesting a substantially larger volume of new issues than has been coming to it. While current stock market uncertainty may possibly lead to slight temporary reactions in bond prices, the general investment outlook apparently continues favorable and at present appears to be such that the long trend of the averages will continue to be upward.

Contributing to the scarcity of new offerings, measured in terms of the demand, has been the growing tendency of corporate and other borrowers to pay off maturing obligations rather than to refund. The par value of corporate bonds and notes falling due during February was approximately $48,000,000. March maturities will aggregate around $38,000,000 as compared with about $42,500,000 in March of 1925. Most of these issues are for comparatively small amounts and will not require capital for refunding purposes. Many outstanding issues are being called either in whole or in part in advance maturity and are either being refunded at lower coupon rates or are being paid from treasury surpluses. The buying demand from banks, insurance companies and other investing corporations, which are enjoying unusual prosperity, is one of the important factors holding bond prices to their present levels.

The Dow-Jones average for 40 listed Domestic corporate issues (10 high-grade rails, 10 second-grade rails, 10 industrials and 10 public utilities) on February 19th reached 94.49, the highest point since January 18, 1917 when the average reached its record of 96.25. On February 25th the average was 94.33, slightly below the record for the month, compared with 93.82 on January 25th and 91.66 on February 25th a year ago. The low point in the average for 1925 was 90.60 or about 3.80 below present levels.

Although there has been some switching by individuals from the low yield United States Government issues because of reduction in income taxes and because certain of these bonds lose part of their tax advantage on July 1st next, this slack has been well taken up through increased buying by corporate and other institutional investors. Prices of most Government issues were well maintained. The First Liberty 3½s on February 24th reached their highest price of the year, 100-31/32 as compared with the year's low figure of 99-18/32. The floating supply of the various issues seems to be extremely scarce, particularly the longer term bonds. The market for outstanding United States Certificates of Indebtedness and Treasury Notes was inactive, due no doubt to the uncertainties as to the terms under which new Certificates will be offered by the Treasury Department on March 15th. The substantial reduction in Government income through shrinkage in Federal income taxes under the new tax law will be met through readjustment of departmental budgets and will necessitate no new Government financing with the possible exception of a short term note issue to carry through the readjustment period. Federal Land Bank bonds of all issues were in good demand and prices showed a hardening tendency.

Municipals

The outstanding event of the month in the municipal market was the sale by the City of New York of $75,000,000 4¼ Bonds to a syndicate headed by The National City Company. This is the largest single piece of long term municipal financing ever undertaken in this country. The bonds mature serially from 1927 to 1976 inclusive and were offered at prices according to maturity to yield from 3.75 per cent to 4.15 per cent. The bonds are enjoying a widespread demand and a substantial portion of the issue has already been sold. Present indications point to the absorption of the entire offering within a comparatively short time. New issues during the month were brought out in a considerably smaller volume than the market is capable of absorbing and, as a result, there has been a slight marking up generally

on dealer's lists. Apparently the reductions in income taxes provided through the new Income Tax law, will not affect tax-free securities to the extent that discounting in the market since last Summer would seem to indicate. For instance the tax rate on net incomes from $10,000 to $25,000 is reduced about 1 per cent and on incomes of $50,000 about 5 per cent. In the last three of four brackets the reduction is fairly substantial, but the tax remaining is still high enough to give tax-free bonds a decided advantage. Under the circumstances, the passage of the Act should have no appreciable effect on municipal bond prices.

Legalizing the Utilities

The introduction of a bill into the New York State Legislature which would permit savings banks to invest as much as 15% of their total assets in the mortgage bonds of public utility companies, emphasizes the improving position of public utility investments, particularly in the gas, electric and telephone fields, and is adding impetus to a country-wide movement for the legalization of public utility bonds. The Bill is receiving support from the State Savings Bank Association and from representative members of the American Bankers Association. Underlying public utility bonds have already been designated as legal investments for savings banks and trust funds in a dozen or more states. The general tendency is toward a broader acceptance for these purposes. The industry has gone through nearly a half century of development during which failures have been exceedingly few. Capital is being absorbed by the industry at the rate of about $1,500,000,000 per year and at present utilities securities outstanding are exceeded in volume only by those of the railways. The Comptroller of the Currency reports that national banks since 1920 have increased their public utility investments by about 45 per cent. The annual report of the New York Life Insurance Company issued a few weeks ago comments favorably upon its investment of $35,000,000 in this class of securities. As public confidence in the industry increases and investment buying broadens, the interest rate on public utility bonds will tend to approach the level of other so-called "legals," particularly the underlying rails. The further legalization of public utility bonds for savings bank and fiduciary purposes should strengthen the market substantially and will furnish to savings banks and trustees an opportunity for further diversification in an industry whose past performance has been noteworthy.

January Foreign Trade

The foreign trade figures of the country for January revealed a debit balance on the merchandise account amounting to $15,000,000. Imports, which have been steadily rising since last June, totaled $414,000,000, or $67,900,000 more than in January, 1925, while exports totaling $399,000,000 fell $47,400,000 below January a year ago. Thus in four recent years, to-wit, 1926, 1925, 1924 and 1923, imports for a short period at least each year have exceeded exports. This tendency towards a reversal of what has been the normal relationship of imports and exports is interesting in view of the predictions of economists that our new position as a creditor nation might be expected to affect considerably our traditional export surplus. It would be unwise, however, to draw hasty conclusions as to the significance of one month's figures. To a considerable extent the January trade movement reflected changes in the movement of a few important basic commodities, notably a large increase as compared with a year ago in imports of rubber and silk, and a sharp decline in shipments of grain and cotton, and the situation may be considerably altered a few months hence. Undoubtedly any permanent change in our trade balance, if such is to come, will be a process of slow development. The recent figures, however, do serve to explain in part the strength of sterling exchange since the first of the year, and render more remote the possibility of further gold imports from Europe.

Foreign Trade in 1925

Further light on foreign trade tendencies of the United States during 1925 is shown by the following table made public during the past month by the Department of Commerce and showing imports and exports by grand geographical divisions:

Imports from—	1924	1925
Europe	$1,096,087,463	$1,237,831,843
North America	995,155,751	981,449,307
South America	466,073,844	518,991,017
Asia	930,708,486	1,319,771,147
Oceania	48,944,804	77,807,810
Africa	72,992,231	92,143,967
Total	$3,609,962,579	$4,227,995,091
Exports to—	**1924**	**1925**
Europe	$2,445,300,134	$2,602,486,592
North America	1,090,041,346	1,140,346,807
South America	314,251,551	402,603,132
Asia	514,591,534	485,426,980
Oceania	156,504,866	189,489,205
Africa	70,294,414	89,943,626
Total	$4,590,983,845	$4,909,396,342

By an increase of nearly $400,000,000 imports from Asia for the first time overtopped those from any other quarter and were largely responsible for the higher total of imports from all sources. In this increase, record imports of rubber and silk played a large part. At $429,705,000, rubber imports were $255,474,000 larger than in 1924 and far above any previous year also. While this increase was due partly to the higher prices prevailing in 1925, there was a rise also in the tonnage figures from

734,845,000 pounds in 1924 to 888,478,000 pounds in 1925, likewise a new high record. Combined with an increase in silk imports of 12,483,000 pounds valued at $68,704,000, these two commodities alone accounted for $324,-178,000 of the total increase in imports from Asia.

An additional feature of the trade figures and an indication of further recovery in European production and purchasing power was a substantial gain in the volume of trade with Europe. Both imports from, and exports to, Europe increased substantially over those of 1924, but as the increase in exports was slightly the greater our export excess in that trade rose slightly to the largest figure since 1920. Moreover, this occurred notwithstanding that our exports of foodstuffs, which comprise so large a part of our European trade, fell $75,000,000 below 1924. In view of the persistent alarms that have been sounded over the possibility of German competition in our home markets, it is worth noting that our trade balance with Germany not only continues to show a surplus of exports, but that the 1925 surplus, which reached the substantial sum of $306,000,000, was slightly greater even than that recorded in 1924.

In trade with other grand divisions exports increased to all divisions except Asia, while imports increased from all divisions except North America. A particularly gratifying feature of the trade return for the year was a substantial increase in the volume of our business with Latin America. At $2,000,000,000, the value of this trade was not only 5 per cent greater than in 1924 but the highest on record excluding only the abnormal war and post-war readjustment period.

Our Trade With Latin America

Trade intercourse between Latin American countries and the United States by no means represents a new phase in our commercial activities as, perhaps, might be inferred from the great public interest that has been manifested in this trade within recent years. As a matter of fact, the exchange of commodities with our southern neighbors has been an important element in our foreign commerce for a long time. Even as far back as the year 1860 no less than 19.6 per cent of the total amount of our foreign commerce was transacted with Latin American countries. Commenting upon the growth of this trade and its importance to the United States, Mr. Joseph T. Cosby, Vice President of the National City Bank, in a recent address before the Pan American Commercial Congress, said in part:

With but few exceptions the United States now occupies first place in the value of imports from as well as in that of exports to the countries of Latin America. The most important of these is that represented by the foreign trade of the Argentine Republic. Having a climate similar to our own its products are much the same and, like ourselves, the Argentines supply Europe with meat and cereals, a very large part of which is sent to Great Britain. This is a very old trade and, reciprocally, they have become accustomed to the use of many articles of British manufacture which they have long taken in payment of their exports. Notwithstanding this feature of Argentine foreign business which is favorable to British trade development, we have built up a very substantial commerce with this country, but still we occupy second place with respect to both imports and exports. Great Britain leads us in the value of her exports to as well as in that of her imports from the Argentine.

On the other hand we find in Brazil, which crosses the equator and offers a large variety of tropical products, many articles that we do not produce here and which we can use advantageously. We lead the rest of the world easily therefore in the value of our purchases from that country, the principal article of import being coffee, but here again Great Britain ranks ahead of us in the value of her exports to Brazil.

Another exception occurs in the case of Bolivia, the principal export of which is tin. Great Britain takes the larger part of her exports of this commodity, but, on the other hand, the United States comes first in the value of exports to that country.

Likewise, we export more goods to Uruguay than any other country sends to them, but it is worthy of note that we occupy only sixth place as a purchaser of Uruguayan products. Great Britain, Germany, France, Belgium, and the Argentine Republic all purchase more from her than we do.

Latin America finds in the United States a very good customer, as we purchase more than one-fourth of our imported goods from the peoples of these countries. An analysis of our import statistics for the past 25 years proves this by showing that 27.53 per cent of our total imports come from Latin America.

Labor Troubles

The settlement of the coal strike justifies the policy of President Coolidge in declining to interfere beyond the efforts of the Secretary of Labor to accomplish an adjustment of the differences between the parties to the dispute. The President has no authority to compel a settlement in such case. He cannot make men work for wages which they are unwilling to accept, nor compel employers to pay a wage which he may name. President Roosevelt's success in effecting a settlement of the anthracite strike of 1902 was in inducing the operators by the pressure of public opinion to agree to arbitration In the recent controversy the operators had proposed arbitration from the beginning and the miners had refused to accept it. The President cannot afford to threaten with a power which he does not possess or to subject his office to indignity. The people have not given to the President, or to any official body, the authority to settle such disputes.

Majority and Minority Rights

Perhaps the time has not come for such authority to be vested in any department of the government. It will not have come until the public recognizes that the rights, interests and safety of the masses are of greater importance than the particular contentions of the parties immediately involved. This does not mean that the rights of the many are in all

respects paramount to the rights of the individual. The latter has rights that are inviolable, but they do not include the right to have their own way in respect to particular jobs or particular rates of pay. Senator Robinson, of Arkansas, an able lawyer, discussing the subject in the Senate a few weeks ago, stated the case very well when he spoke as follows:

"I have not attempted to say that the blame is upon the workers and I have not attempted to say it is exclusively on the workers. But I have said that since they have failed to reach an agreement and are perpetrating a condition which, if continued long enough, if repeated often enough, will destroy the lives of thousands of helpless people, there must be found a remedy though it be necessary to amend the Constitution of the United States to that end.

"This country cannot be dependent always upon the whim or caprice of the men who own mines or of the men who work in the mines. The latter have a perfect right to quit, but they have no right to combine, as many circumstances tend to show they have done, to prevent the operation of the mines, to prevent others who are willing to work from working, to prevent others from operating the mines who are willing to operate them and thus bring misery, if not death, to thousands of people."

Declaring that he would support a constitutional amendment prohibiting a combination of miners and operators against public welfare, the Arkansas Senator went on:

There is doubt whether we can give authority to the President because there is grave doubt of our power to do that under the Constitution.

This doctrine of the subordination in some degree of individual freedom for the security of society is not to the disadvantage of the wage-earning class. The latter constitutes the greater part of society and therefore has most to gain by it.

The essence of the doctrine is that no minority group may rightfully take possession of property or services which are essential to the community life and deny their use to the public. This principle has been long enforced against property rights. The owners of waterworks or railroads could not withhold them from public use, and it is equally clear that the workmen upon such utilities have not the right by intimidation or agreement among themselves to prevent or suppress their use. The right of the individual to leave one job for another in order to better his condition is undisputed, but to quit work in a body with the purpose of paralyzing a public service is an act of a very different character.

These conditions are not imposed upon wage-earners by employers or for the benefit of employers, but by society for the common good. They are made necessary by the conditions of modern life, the aggregations of people in cities, their dependence upon artificial services, the division of labor and skilled services. Since all classes of people enjoy the benefits of those services there is a common obligation to maintain them, or at least not to conspire against them. A way must be found to settle differences without suspending them. No single group has a right to take a strangle hold on the community as a means of enforcing its own demands. Without general agreement upon this civilized society as we know it is impossible.

There is no reason to doubt that all classes will come in time to full recognition of these principles. The most thoughtful labor leaders recognize them now, but time is required to bring the rank and file of the organizations to the point of willingness to waive the most powerful weapon that labor knows, the strike. The sober and responsible leaders are in danger of losing influence to the more radical ones upon this issue if a division is forced.

Settlement of Railway Labor Disputes

This is the consideration which affords a basis for the proposal of legislation for the settlement of disputes between the railroad companies and the employes. The first argument in favor of this measure as against the existing railroad board is that the latter is an official body, named by the President, while the proposed agencies for conciliation are primarily representative of the parties to the dispute. Questions arising between a given company and its employes will come first before committees representing that company and its employes. Questions involving the general railroad situation will come before a general board of mediation. In the event that this board is unsuccessful in composing the differences, provision is made for a fact-finding committee to be appointed by the President, to report within thirty days. In the meantime, according to a description of the measure, the "labor union leaders agree not to strike," but it would seem that the provisions of the law should be definite, and not rest upon the promises of either party to the dispute.

The best that can be said of this proposal is that it is a partial recognition of the rights of the public, and that labor is not prepared to yield more. Granting that full recognition is not a matter of right but of education, and that compromises are continually necessary to practicable agreements, this measure may be for the best. The railroad companies are said to be generally in favor of it.

The obvious fault of the plan lies in absence of any representation for the party chiefly interested, to-wit: the public, who at last must stand the cost of any agreements which the companies and their employes may arrive at. It would seem to be not only eminently just that the public should have a voice in all settlements which affect the cost of railroad service, but that results would be more conclusive to all concerned if representatives of the public were participating.

The several brotherhoods of railroad employes are formulating claims for wage increases at the present time, but withholding them until this proposed measure becomes a law, undoubtedly because they believe the prospects of favorable consideration will be better under the new system of adjudication than before the present labor board, upon which the public is represented. The Western railroads at the same time are asking for an increase of freight rates and the farmers of the west are not only vigorously opposing an increase of rates but urging a reduction of rates.

Practical treatment of these conflicting claims would seem to require that all of them be adjudicated at the same time and by a single authority. That there is no prospect of this being done illustrates that nothing which involves political or popular treatment, or in other words, which must be generally acceptable to masses of people, can be settled upon logical principles.

Real Wages Compared

In our November issue mention was made of a resolution offered by John P. Frey, of the International Molders' Union, at the annual convention of the American Federation of Labor, enunciating the principle that "real" wages should rise proportionately with the increasing productivity of industry resulting from improvements in machinery and methods. In our comments we expressed the opinion that this was not only correct as a matter of justice, but that it was natural and inevitable for "real" wages to rise with increasing production. It would be impossible to distribute the increasing output of commodities if the buying power of the general public did not increase proportionately.

Proof of this is abundant, but has been lately afforded by a statement from the International Labor Office, maintained as part of the organization of the League of Nations at Geneva, Switzerland. The statement, given out by the American representative at Washington, D. C., of the International Labor Office, is given herewith. The "real value" of wages is obtained by two computations, one showing the purchasing power of wages over food only and the other including rent. These are the most important factors in the cost of living of the wage-earner, and they are the factors which can be most accurately compared:

REAL WAGES HIGHEST IN UNITED STATES

According to information just cabled to the Washington Branch of the International Labor Office, based on statistics collected from all over the world as of July 1, 1925, real wages are highest in the United States.

The International Labor Office obtains information on a monthly basis from 19 leading cities in as many different countries of the world regarding wages, cost of foods and rent. Average wages are obtained for 14 skilled trades and for unskilled labor in several trades. The cost of 17 identical items of food of working class consumption is obtained from each of these cities, and these figures appear monthly in the International Labor Review.

This material has been used as the basis of establishing comparative statistics, London having been taken as the index base. The following table gives the comparative value of real wages in the various cities as of July 1st:

Cities	General Average Index Numbers Based on Food only	General Average Index Numbers (with allowance for rent)
Amsterdam	84	84
Berlin	64	63
Brussels	55	59
Copenhagen	94	97
Lisbon	32	—
Lodz	55	61
London	100	100
Madrid	54	—
Milan	47	50
Oslo	80	82
Ottawa	165	148
Philadelphia	183	183
Prague	48	52
Rome	46	49
Stockholm	76	74
Sydney	140	140
Tallinn (Esthonia)	37	38
Vienna	43	47
Warsaw	49	51

The Semi-Arid Plains Region

The quotation from a letter written by a business man of Dodge City, Kansas, which appeared in our January Letter, has brought us numerous communications, mostly critical of the statements regarding the cost of producing wheat in southwestern Kansas and the adjacent region and the value of the semi-arid belt for the production of crops.

Some of these letters contain considerable information as to the experiences of other sections in dry farming, and in our opinion are well worthy of publicity. We are giving two of them herewith, practically in full. It may be remarked that incidentally they throw light on some of the distress in agriculture which has been charged to the deflation policy of the Federal Reserve banks.

The first letter is from Mr. T. H. Sanderson of Portage, Wisconsin, who is interested in farming several thousand acres of tillable land. He says:

Dry Farming in Western Dakotas and Eastern Montana

January, 8, 1926.

The National City Bank of New York,
New York City:

I have always read with interest your monthly letter on economic conditions, etc. I believe this does a very great service in giving to readers, for the most part, accurate and true information. However, I believe the letter received from the business-man of Dodge City, Kansas, as set forth on page 12 of your January letter, is a great exaggeration of the facts and is largely untrue.

I have been following the production of wheat quite carefully for the last seventeen years, having been interested in large wheat production in the Judith Basin, Montana, recognized by all to be the most

fertile dry-land farming section in that state. I have visited the harvest fields of western Dakota and eastern and central Montana every year for the past seventeen years.

The statements in the letter from Dodge City, Kansas, are just about of the same nature as those set forth in the reports issued from 1909 to 1917 from the railroad companies, bankers, and others, regarding conditions through western Dakota and Eastern Montana. As a result of this boosting propaganda thousands upon thousands of good, industrious people moved to western Dakota and to the dry lands of Montana, bought tractors and commenced to farm on a very extensive scale. This movement commenced in 1909 and culminated in war-time.

Reports sent out regarding this very large area in the northwest as to the cost of raising wheat, the wheat yields, etc., if true, would have made these persons, who moved to that section of the country, rich in a short time. However, the reports were grossly untrue and as a result, 95% of those who moved to these areas lost everything they had and whole counties have been depopulated—literally starved out.

Large areas of land that at one time, under the boom propaganda, sold for $25 to $30 an acre can now be bought for $5 an acre, and in fact, large quantities have gone back for the taxes.

I do not mean to say that wheat-raising in certain sections is not profitable at the present time. However, until last year the price was so low and had been for several years that it was unprofitable everywhere. The price now is fair and is about what it should be, based upon the price ratio of other commodities. This price advance has been due to an abnormally low production of wheat in the United States in the last year on account of serious winter-killing last year.

I have had considerable experience with the combine. It is a material saving in the raising of wheat when the weather is dry during harvest-time.

There are some sections, especially in Washington and in some other western states, where they have practically no winds or rains through the harvest season and where the combine is quite a success. However, one must have a fairly large investment in a combine and unless it can be operated a substantially long time each harvest, the interest and depreciation charges on that investment may be more than the profits realized. Also, in most sections, the time when wheat should be harvested in order to save the crop, is limited to a very short period. There is a temptation to cover as much ground as possible with the combine because of the heavy investment and in doing so much wheat may be allowed to stand long after it should have been harvested and if bad storms come the results may be disastrous. This happened this year in parts of Montana.

Eastern Colorado

The second letter is from Mr. Charles E. Collins, President of the Kit Carson State Bank, Kit Carson, Colorado. His letter comments not only on the Dodge City correspondence but upon the figures of the 1925 cattle census as given in the January issue of this publication. What Mr. Collins says about the results of trying to bring all the land in the United States under cultivation immediately is very much to the point.

Strangely enough, the influence of cheap land as an inducement to the opening of new farms seldom is referred to as a factor in the low prices of farm products and the low returns for farming operations. It has been a constant factor throughout the development of the West. The average value per acre of all the farming lands in the United States doubled from 1900 to 1910 and nearly doubled again from 1910 to 1920, but it is said that this appreciation of the farm plant, which of itself exceeds the possible savings of a mechanic and is greater than the accumulations of the average merchant, should not be considered any part of a farmer's compensation. If the certain appreciation of land values is an incentive to the opening of new farms, and consequently a direct factor in the expansion of production, evidently it must be taken into account in considering the tendency to overproduction of farm products. Mr. Collins sees this clearly. He has been a witness to the lure of the land. He knows the risks and hardships that families will undergo for the sake of obtaining a farm home which they expect will eventually make them independent and be worth a fortune to the children. So long as there is more land to be made into farms this lure of the land will be a factor in the prices of farm products, regardless of agitation for price control.

Mr. Collins says:

KIT CARSON STATE BANK

Kit Carson, Colorado,

The National City Bank, January 24, 1926.
New York, N. Y.

Your January review was exceedingly interesting all the way through. I was particularly interested in the agricultural section. Your friend from Dodge City, Kansas, must be in the real estate business; no such conditions as he pictures exist in Eastern Colorado, which is one of the states he mentions in making his comparisons.

Starting with 1903 as his base line, enabled him to use zero as his starting point for comparisons of increased production. I am sure if he had gone back to 1886 to compare his population he would not have had as ma..y people.

He is right about the new land going into cultivation each year, but we have reached a point here in Eastern Colorado where the abandonment of old ground each year offsets the new. There is always some one coming into the country thinking he knows more about farming than the fellow that just left. He goes at it on a large scale and perhaps the first and maybe the second year he has good seasons with no hail and it begins to look as though he were going to make it, but along comes the law of averages and by the end of ten years he has been wiped out. I have known many of them to come and go. These are the marginal producers. They are the ones that make it bad for the real farmer. This western country is a wonderful country for combination stock growing and farming and should never have been hailed as a strictly farming country. It should never be boomed but allowed to develop by those who understand the game and have had experience.

Any banker or business man who tries to encourage new people to get into the farming game or those who are in to increase their operations, is doing more harm than good to agriculture. Idle lands should carry a very low tax so the owners could afford to let them lie idle until the time comes when they are required for production. That is quite the reverse in many of the western states as foolish and unwise tax boards seem to have the idea, and many farmers that you should tax the idle land equally as heavy as the developed lands, so as to force the owner to develop their lands. Nothing could be more disastrous to agriculture than to have all the idle land thrown into cultivation. It will be fifty or perhaps a hundred years before all the vacant lands will be required to feed the nation. During that time it should carry a very low tax, so that it could be used for grazing. Millions of acres of the West should never have been

thrown open to settlement. They should have been held in reserve and used as grazing lands until they were needed for farming; the same way with many of the reclamation projects of the West. Almost all of these foolish projects were brought about by over-ambitious Congressmen and real estate men and boomers of all kinds. I doubt very much if ten per cent of the original settlers ever benefited by the opening up of the country for settlement.

The figures you have given on the cattle census are very astonishing and remarkable if true. Those of us who live in the West doubt them, as we know of lots of small and large herds that have been wiped out and we know they have not been replaced somewhere else. In my judgment, the mistake was made in the general census of 1920. The 1925 census should have been a good one and would have been, had it not been for the foolish manner in which it was taken.

The blanks that were used by the enumerator were more like the financial statements used by the Intermediate Credit Banks than a census-taking instrument. They pried very deeply into your business and many people were neither in a position nor cared to air their affairs to some enumerator whom they did not think much of to start with. Had the census confined itself to the live stock population and not have gone so deep into your private business, I believe we would have had a much better census. The figures on the thirteen Beef Cattle States on the beef cows is undoubtedly wrong as everyone knows there is a shortage in range breeding cows and there is a great scramble on right now to get a few before they are all gone.

Your figures showing the trend of prices with production are very interesting and they work out about right. The only exception this year is in cattle. The Government report shows for the eleven months in 1925 up to December first there were 371,277 more cattle marketed than in the same period, the year before, yet cattle prices advanced, particularly on stockers and feeders. If the census figures are correct there is danger in this rapid rise in range cattle prices, but it is in the air with the western cattle men, who believe they know what is going on, that there is a real shortage in western cattle and they are going to get some while they can. The western cattle man has had the hardest luck of anyone during the last five years. He got the full benefits; he was the first one affected and the last one to recover, and as a whole, did less complaining than anyone, so whatever good comes to him now, he is entitled to.

The Iowa farmer is greatly upset, but cheap corn helped the cattle market and the western cattle men have benefited by it. Last year was the reverse and Iowa farmers did not complain when corn was selling for a dollar and our cattle for four to five cents a pound.

Yours truly,

CHAS. E. COLLINS.

The Other Side

We have not asked our Dodge City correspondent to reply to the foregoing letters, but are able to give opinions from several persons who are authorities upon agriculture in the Southwest relative to the statements which appeared in the original quotation. These individuals have given their views without knowledge of the source of the quotation, and, we believe, in an impartial and unbiased manner.

Their replies indicate that while all that Messrs. Sanderson and Collins have said is doubtless true as part of the history of the semi-arid belt, it may not be wholly true as to the future. There was a time when hail and grasshoppers drove settlers out of eastern Nebraska and the Dakotas, and even out of western Iowa and Minnesota. What President Farrell of the Kansas State Agricultural College says about the progress made in developing new plants and new methods for that section of the country may furnish an explanation for the difference between their views and those of our Dodge City correspondent, whom we are able to vouch for as not a real estate agent but a responsible merchant, having sincere faith in the agricultural future of that section.

President of the Kansas State Agricultural College

The following letters were written in reply to inquiries addressed to these gentlemen by Mr. Thornton Cooke, President of the Columbia National Bank, of Kansas City, and require no further comment:

KANSAS STATE AGRICULTURAL COLLEGE
MANHATTAN, KANSAS
Office of the President

Jan. 22, 1926.

Mr. Thornton Cooke, President,
Columbia National Bank,
Kansas City, Mo.

Dear Mr. Cooke:

I had read the statement in the January issue of the National City Bank Monthly Letter to which your letter of January 21 refers.

The statement is based on facts. Some of the inferences may be somewhat over-drawn. Similar statements could properly be made regarding a large part of western Kansas and several other parts of the great plains area from Canada to Texas, as well as about fourteen counties in southwestern Kansas, by comparing conditions in 1903 with those of 1925. The development of this entire section of the great plains during the past twenty or twenty-five years has been quite remarkable. It has been made possible by the development of varieties of crop plants that are adapted to the conditions of the great plains, by the importation from other continents of crop plants that are adapted to the same conditions, and by the use of these plants and farming methods and of large scale farm machinery by an industrious, intelligent people.

There is no doubt that the hard winter wheat belt in Kansas is moving westward. The wheat acreage in the eastern fourth of the state is now down to the pre-war average. In some counties it is below that average. But in the western half of the state the wheat acreage is above pre-war. This change seems to be justifiable because of the fact that, on the relatively new lands in the western part of the state, the cost of production per bushel is comparatively low and the quality of the wheat ordinarily is very good.

Hard winter wheat has been the chief crop plant used in the agricultural development of the western half of the great plains. The type of hard winter wheat used was first brought to Kansas from southwestern Russia in 1873 by a colony of Mennonites. The original wheat has been materially improved (by plant breeding) by the agricultural colleges, the United States Department of Agriculture, and a few private individuals.

Another important group of crop plants is the sorghums. These are particularly important in the southern portion of the great plains, particularly in western Kansas, western Oklahoma, and northwestern Texas. The sorghum group includes milo, kafir, "cane," Soudan grass, and several others. Most of the varieties of these crop plants that are now in use have been developed, chiefly by the agricultural colleges and the United States Department of Agriculture, within the past thirty years. The sorghums are a mainstay in the southern great plains because they are more reliable than any other crop yet tried there. They are the great feed crop of the region and they very seldom fail completely.

I think you might be interested in the following copy of a press notice released by the United States Census Bureau on March 26, 1925, and relating to the development of Haskell County, Kansas, between 1920 and 1925. You will note from this statement that there were increases in the number of farms, in the crop acreage, in the value of land and buildings, and in the number of livestock. Haskell County, as you know, is two counties west of Dodge City and two counties east of the Colorado-Kansas line. The Census figures for Haskell County give a fair general indication of recent developments in many counties in western Kansas, eastern Colorado, western Oklahoma, and northwestern Texas. In reading these figures it is important to remember that 1924 was a rather unusually favorable year in western Kansas.

In my opinion, the principal criticism that might be made of the statement quoted in the National City Bank Letter is that it does not call attention to one of the principal features of agriculture all over the western great plains; namely, the high weather hazard. Weather conditions fluctuate so widely from year to year that agriculture is relatively hazardous throughout the region referred to. The annual rainfall, for example, may vary one hundred per cent or more in different years. The average annual rainfall at Dodge City is twenty inches; but in the last thirty years it has ranged from ten inches to thirty-two inches. Nevertheless, because of the fine pioneer spirit of the settlers of the western great plains and of their fair degree of willingness to utilize the results of the work of the agricultural colleges and other scientific agencies, the whole region is developing rapidly.

Most of the farmers of the western great plains still need to have a better balance among their farm industries. They depend too much on wheat. In a year like 1924 prosperity is wide-spread, but in a year like 1925, many counties, because of partial or total failure of the wheat crop, experience economic depression. But anyone who knows the natural conditions and who is familiar with large numbers of farmers on the western great plains, from Canada to Texas, is likely to have an abiding faith in the future of the region.

Very truly yours,

F. D. FARRELL,
President.

DEPARTMENT OF COMMERCE
WASHINGTON

Quinquennial Census of Agriculture

Preliminary Announcement: Haskell County, Kans.

Washington, D. C., March 26, 1925.—The following statement gives some of the results of the 1925 farm census for Haskell County, Kansas. The figures are preliminary and subject to correction.

This census, which covered the crops of 1924, with an inventory of farm property for January 1, 1925, was taken by a force of enumerators employed to make a canvass of all the farms in the county.

	Jan. 1, 1926	Jan. 1, 1920
Number of farms	360	177
Operated by owners	175	97
Operated by tenants	179	78
Operated by managers	6	2
Land in farms:		
Total, acres	245,959	128,165
Crops harvested, acres	102,850	———
Value of farms:		
Land and buildings	$4,842,250	$2,672,950
Domestic animals reported on farms:		
Number of Horses	6,089	2,006
Mules	769	183
Cattle	7,979	5,662
Swine	2,382	507
Selected crops:	1924	1919
Wheat, acres harvested	70,635	18,372
Quantity harvested (bu.)	1,073,598	129,904
Barley, acres harvested	6,578	3,650
Quantity harvested (bu.)	82,573	42,360

THE KANSAS STATE BOARD OF AGRICULTURE

Topeka, January 23, 1926.

Mr. Thornton Cooke, President,
Columbia National Bank,
Kansas City, Mo.

Dear Mr. Cooke:

Yours of the 21st came duly, along with the economic letter of the National City Bank of New York for January, which contains so much valuable information and interesting observations.

I have looked over the letter of the Dodge City business man, to which you invite attention, and in a general way I think he is correct. We haven't gone to the pains of checking up all his data, but we have compared the official figures for wheat in the Southwest for a number of years. By the Southwest I refer to the 14 counties which I assume the Dodge City correspondent has in mind, comprising a block of country west of a line from the southeast corner of Clark county, north to the northeast corner of Hodgeman county, and south of a line from that point due west to the border of the state. In the ten years ending 1925 we find these counties have practically doubled the total acres in wheat, and in 1925 sowed 1,165,000 acres to this crop. According to the data we have with respect to the acreage sown last fall, this same territory has put in 1,387,000 acres of wheat, or an increase over last year of about 122,000 acres. As the Dodge City gentleman states, this area is splendidly adapted to the tractor and the combine, and the farms, as you know, are large in area and well suited for power farming. I fear, however, that too many of these extensive wheat farmers of the Southwest are giving little or no attention to the side-lines indicated by the Dodge City business man, but of course if such diversifications should be generally practiced, it would give a great deal more stability to the farming industry of that region, and we would like to see these so-called side-lines keep pace with the development in wheat growing.

Sincerely,

J. C. MOHLER,
Secretary.

Commenting on the cost of growing wheat in Kansas, Mr. Albert Weaver of Bird City, Kansas, the largest wheat grower in the state, writes as follows. By the term "one-quarter rental" appearing in the letter we understand Mr. Weaver to mean the assumption that one-fourth of the total cost of raising wheat is rental of the land.

Mr. Thornton Cooke, Febr. 15th, 1926.
Pres. Columbia National Bank,
Kansas City, Mo.

Dear Mr. Cooke:

Your letter to Mr. E. C. Miservey Jr. mailed me in which you had some questions on cost of wheat growing on which you would like to get my views.

I have been giving your questions some thought, and have come to the conclusion that I could do but little better than to conjecture as to the answers to make to your questions, and that there would be no gain to either of us or to anyone else to elaborate in detail on trying to answer those questions.

You must bear in mind that in wheat growing to determine the cost you have a number of conditions to consider: Unfavorable weather conditions, too dry or too wet as in 1923 when the rust took our wheat; poor soil conditions at time of seeding; lack of subsoil moisture if in the West unless properly summer fallowed; poor seed ungraded and untreated for smut; wheat seeded out of the proper season; and finally the yield determined largely by the above and this the cost per bushel.

The cost too per bushel is affected by the kind of machinery that a farmer uses either horse drawn or power drawn.

You ask whether I think that it is possible for a farmer and his two sons to harvest 500 or 600 acres of wheat, thresh some 10,000 bushels and do much other work besides in one season. This other work

preparing the land by summer fallowing and doing other work as a sideline, growing corn and kafir, raising hogs and chickens. Yes, I think that it is possible to do this much work with a good combine thresher and a good tractor.

I find by actual figures that this last season, 1925, I produced on eighty acres of summer fallow land prepared 1924, 2735 bushels of wheat, or approximately 35 bushels to the acre, at a total of 45 cents a bushel, and this wheat was taken care of by binding, shocking, and threshing out of the shock and the grain delivered to my granary 7 miles distant. This does not allow anything for the land. If rental for the land is figured, one-quarter rental, then the cost would be 60 cents a bushel. This does not allow for hail damage or for off seasons.

I find that the cost per bushel covering a number of seasons, will average on the one year summer fallowing out of four years, 60 bushels of wheat per acre from the three crops of the four years, 42 cents a bushel and figuring one-quarter rental for the land, 56 cents a bushel. This does not allow for off seasons or for hail loss. If a superintendent is employed to supervise the farming, this would have to be added to the cost per bushel.

Cost per acre to carry on wheat growing under the system of summer fallow one year out of four, is as follows: Deep plowing $2.50 per acre; double disking 80 cents per acre, (disking is done a number of times) seeding per acre, 50 cents; graded and treated seed for smut, fall of 1925, 90 cents a half bushel, amount seeded per acre; cutting per acre with combine harvester, $2.00 per acre; threshing per bushel, with combine 8 cents per bushel; hauling to market, out 8 to 10 miles one-half cent per bushel per mile, if less distance, three-quarter cent per bushel per mile.

How much can wheat yield be increased by treatment of seed for smut. Cannot anymore than approximate the increased yield, possibly two bushels to the acre, as there is often that much of the grains that are smut or even more, and then too, treating of the wheat to rid it of smut, would enhance the price per bushel 10 cents because of the better quality of wheat—smut free.

For years formaldehyde has been used to treat wheat for smut, but of late, a copper chemical powder is used to dust the wheat before seeding, both of these treatments, prove effective for smut eradication in wheat, and some other seeds.

No comparative tests have been conducted to determine how much the one year summer fallowing out of four would increase the yield covering a period of four years, three crops out of the four years, over that of the ordinary way of preparing the ground and seeding each year, but I think that it would be around 20 bushels more wheat off the one acre of land than that off the acre seeded each year under the ordinary preparation of the land. This is not all but the most important point, which is that the farmer can prepare his land before harvest, and when the rains usually fall and when the ground is moist and in suitable condition to work and when he would not be using his equipment at all, unless it would be to grow corn and kafir.

Trust that the above will give you a pretty good idea as to the cost of producing wheat per bushel.

Yours truly,

ALBERT WEAVER.

Straws

A prosaic statistical document issued by the U. S. Department of Agriculture reveals that the State of Texas gained 30,387 farms during the five-year period from 1920 to 1925.

Most of the farms represented by this increase are located in what is known as the Panhandle of Texas, an area almost equivalent to that of the State of Missouri, and which in the last five years has received an influx of immigrants as interesting, even though less picturesque, as the "run" into Oklahoma in the latter eighties. This is territory within the area described by our Dodge City correspondent.

Another Agricultural Department bulletin relates that "fifteen years ago the county of Lubbock was in native grass, while now it is cut up into prosperous farms, and was the first in that region to develop the production of grains and sorghums, later sudan grass and now turning to cotton." Last year more than 42,000 bales of cotton were marketed at the town of Lubbock.

The records of the Santa Fe railroad show that in territory adjacent to its lines in the Panhandle there were loaded in 1910 2,788 carloads of grain of various kinds, which increased in 1924 to 16,587 carloads, or 31,510,100 bushels. To this now is being added vast quantities of cotton. In 1924 cotton in that district reached a production of 300,000 bales, representing in value in excess of $30,000,000.

San Antonio, Tex.—A dozen of the biggest ranches in Southwest Texas, comprising about 5,000,000 acres of land, will be cut up into farms this winter, and one of the greatest colonization campaigns ever put on will be waged to bring in farmers and settlers. Much of this land will be subject to irrigation from big reservoirs built on the rivers in the territory. Much other fine land is capable of being watered from wells. Generally there is ample rainfall to mature good crops of cotton and feed in the territory, but for garden truck and fruit irrigation makes crops larger and more certain. Reservoirs to water over 100,000 acres have already been completed.

The Northwestern Miller of recent date has the following item:

The growth of Kansas as a wheat empire was brought to mind recently when Simon Fishman, of Greeley County, visited Kansas City to purchase 10 combination harvester-threshers, at a cost of approximately $26,000. Mr. Fishman has 8,000 acres in wheat this year. Six years ago, when he first settled in the county, not a single acre of it was planted to wheat. Now there are 50,000 acres sown, and it is said that not more than 10 per cent of the soil is developed.

Champion Cotton Grower

We made mention last Spring of the campaign which had been started by the Dallas News to demonstrate the practicability and advantage of more intensive cultivation of cotton. The slogan was "More Cotton from Fewer Acres." The Citizens' National Bank of Tyler, in Smith County, was very active in forwarding the campaign, and Smith County loomed up large in the results. The first prize of $1,000 offered by the Dallas News was won by G. M. Adams of Smith County, who produced more than 16 bales of cotton on three acres of unirrigated land. In addition to this prize he won a prize offered by the Texas Cotton Association for quality and length of staple, and other prizes, the aggregate all being $1700, besides which he sold the cotton for $2484.46.

The most significant result of the contest, however, was the number of farmers who far surpassed the average yield of cotton per acre. Seventeen other Smith County farmers produced from two to three bales to the acre.

It is significant also that the first prize was not won on new land, but on a farm said to have been "worn out" fifty years ago, which had been restored to fertility by intelligent fertilization and cultivation. The promoters of the contest are greatly pleased with the showing made, and may well be.

The Law of Supply and Demand in the Oil Industry

In the January number of the Bulletin we gave the following table quoting high and low prices of crude oil in the mid-continent field as an illustration of the fact that farmers are not alone in being subject to the hazards of price fluctuations, but that producers in other lines as well have much the same uncertainties to contend against. This has called forth the suggestion that the crude oil producer is like the farmer in that he has to take what is offered him, while it is the refiner who fixes the price of gasoline and other products to suit himself.

	Per Barrel	
Year	Highest Price.	Lowest Price.
1915	$1.20	$0.40
1916	1.55	.90
1917	2.00	1.40
1918	2.25	2.00
1919	2.75	2.25
1920	3.50	2.75
1921	3.50	1.00
1922	2.00	1.25
1923	2.00	1.00
1924	1.75	1.00
1925	1.88	1.10

As a matter of fact in very few industries can the working of the supply-and-demand law be seen so regularly reflected in prices as in petroleum products. The consumer of bread may wonder, when he reads of the depressed price of wheat, that his loaf costs the same as ever. The buyer of clothing will marvel how little the cost of cotton, in the bale, affects his expenditure for shirts. The sheepman has known the price of wool to fall to ruinously low figures without making clothes cheaper. But the buyer of petroleum products at retail can almost determine the price of gasoline by watching the current prices of crude petroleum, so quick and intimate is the adjustment of price relations between them. This is shown by the following table giving the posted prices of crude oil and gasoline for various dates of the past year.

1925	Crude Oil 34 Degree Gravity Okla.-Kansas Per Bbl.	Gasoline at Okla. Refinery (58-60 U. S. Motor) Cents Per Gallon
January 5	$1.10	7¾- 8
February 2	1.55	11 -11¾
March 2	1.80	12 -13
April 6	1.80	9¾-10¼
May 4	1.80	10¼-10½
June 1	1.80	13
July 6	1.80	12½-12¾
August 3	1.88	11¾-12
September 8	1.63	8¼- 8½
October 5	1.63	9 - 9½
November 2	1.63	8¾ -9
December 7	1.63	10¼-10½

Motor Truck Transportation

Interesting views upon the future of motor truck transportation supported by facts bearing upon the subject were presented by Major Elihu Church, transportation engineer of the New York Port Authority, at the annual banquet of the Traffic Club of Cleveland on the eighteenth of February. Heretofore the opinion has been commonly held that the motor truck was destined to displace the horse in terminal operations, but that its use for long distance hauling was limited because its ton-mile costs were so much greater than similar costs on railroads.

Major Church presented a different view of the situation. He told his hearers that the horse was holding his own where it came to hauling heavy loads in congested districts, 73 out of every 100 trucks handling freight to and from the railroad and steamship piers on Manhattan Island being still horse drawn. The reason for this is that the cost of trucking is measured by time—not distance. In quoting a price for a hauling job it is much more important to know how long it will take than how far the goods must be moved. It costs about six cents a minute to keep a truck on the streets whether standing still or moving. It is true that trucks are made that can carry five tons at the rate of twenty miles an hour all day long, but in New York traffic conditions, time taken for loading and unloading and street congestion result in a truck carrying an average load of but a ton and a half at an average speed of about four miles an hour and actually moving less than half of the time. The Port Authority is now planning a system of union freight stations which will be located in various parts of the city and are intended to make possible heavier loading, shorter hauls and more continuous operation.

Major Church bases his prophesy for the increasing use of the motor truck for long distance hauling on the door-to-door service of the truck, eliminating many of the boxing, terminal and other incidental expenses necessary when shipping by rail. While it is a fact that once goods are in a car they can be carried by a railroad more cheaply than in any

other way he pointed out that the crating, handling and trucking incident to making a shipment by rail often amount to ten times what is paid to the carrier for the line-haul. In other words the railroad only gets ten cents out of the transportation dollar. An example was given where goods were shipped a hundred miles by motor truck, but there was a saving of three hundred dollars per trip on boxing alone.

In his opinion the growing use of motor truck for long distance work will soon make it necessary to have separate roads for commercial and passenger vehicles. In other words there will be motor-truck trunk-line highways. They will be located and built as railroads are with low grades and easy curves, for the audience was told that much of the highway traffic of the future will be done by tractors and trailers. Grades would limit the number of trailers in a highway "train." They will be controlled by air brakes operated by the chauffeur on the tractor.

Already a large proportion of our taxes go for highways. It would be manifestly unfair, the speaker said, to ask the public to pay for roads built for such traffic. The savings effected by this method of transportation would be so great, however, that he expects companies to be formed to obtain charters to construct and operate such highways on a •oll basis.

Ocean Transportation

We have published several times statements given out by railroad companies showing the distribution of gross earnings by percentages to the several chief items of their expenditures, including dividends, and the remainder if any carried to surplus. They all show that the capital charges are a relatively small factor in rail transportation. Below is given a similar showing of the distribution of the earnings of a steamship company.

The "Manchester Liners, Limited," is a shipping corporation operating ships out of Manchester, England. The report of the Chairman of the Board, submitted at the annual meeting of shareholders recently, contained the following analysis, and also an interesting statement of the charge for carrying wheat across the Atlantic:

As a matter of interest, I have had taken out some statistics showing exactly how the gross earnings of the steamers engaged in the Canadian and United States trades have been absorbed, and it may serve a useful purpose to quote these statistics:—

36 days' freight earnings have been absorbed by port charges.
115 days' freight earnings have been absorbed by cost of stevedoring.
41 days' freight earnings have been absorbed by wages, etc.
19 days' freight earnings have been absorbed by provisions and stores.
30 days' freight earnings have been absorbed by insurance and claims.
35 days' freight earnings have been absorbed by repairs, maintenance, commissions, brokerage, and advertising.
58 days' freight earnings have been absorbed by fuel.
26 days eight earnings have been absorbed by depreciation at 5 per cent. on written down value of vessels.

360
5 days' freight earnings for overhead expenses, etc., management, taxation, and interest on capital.

365

It cannot be too strongly emphasized that the freight on our imports and exports represents a very small fraction of the c. i. f. value. Although I have mentioned it before, and am therefore incurring the charge of repetition, I would again remark that we are carrying our principal import of wheat from the United States and Canada, a distance of about 3,000 miles, to this country today at a figure of about one-third of one farthing per lb. (one-sixth of a cent per pound or 10 cents per bushel).

Lloyd's Shipping Register gives a review of the world situation in ship-building on September 30, 1925. It gives the following table, in which the British share in the industry is given in comparison with world figures:

OUTPUT OF NEW TONNAGE

Period.	Thousand Tons Launched in U. K.	World	British Share %
Aver. 1908-10	1,021	1,798	57
1913	1,932	3,333	58
1922	1,031	2,467	42
1923	646	1,643	39
1924	1,440	2,179	66
1925	1,079	2,166	50

Figures for July of each year.

Shipbuilding has been very irregular over the period covered, but these figures do not indicate any pronounced decline in the British share, as in 1924 it was very high. The following information is given as to character of the new ships. The development of the motor-driven ship is a marked feature:

There are now under construction in the world 21 vessels of between 10,000 and 20,000 tons each and upwards. Twelve out of the 21, and five of the larger vessels, are being built in Great Britain and Ireland.

The returns show that there are at the present time 48 steamers and motor-ships each over 1,000 tons, with a total tonnage of 344,136 tons, under construction in the world for the carriage of oil in bulk. Of these tankers, 19, of 135,224 tons, are under construction in Great Britain and Ireland, 10, of 89,600 tons, in Germany, and 11, of 65,900 tons, in Holland.

The tonnage of vessels now being built in the world, which are to be fitted with internal combustion engines, amounts to 1,088,888 tons, while the tonnage of steam vessels under construction is 1,090,456 tons. The motor tonnage thus practically equals the steam tonnage, showing the remarkable development which is taking place in the adoption of the system of propulsion. The tonnage of motor-ships being built at the end of September in Great Britain and Ireland—356,480 tons—amounted to 55 per cent. of the steam tonnage under construction.